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C O N F I D E N T I A L SECTION 01 OF 03 TAIPEI 002476

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SUBJECT: MA TAKES EARLY LEAD IN KMT RACE

Classified By: AIT Director Douglas Paal, Reason: 1.4 (B/D)

1. (C) Summary: Despite attempts by KMT elders to draft Lien Chan for a third term, the two candidates for the KMT chairmanship, Taipei Mayor Ma Ying-jeou and Legislative Yuan (LY) President Wang Jin-pyng, have begun their official campaigns in earnest. While Lien is not expected to formally announce his intentions until June 8, a senior KMT official told AIT that Lien will relinquish his post, retaining control only over cross-Straits policy in order to "continue to cause trouble for Chen Shui-bian." Despite opposition to Ma's candidacy from KMT stalwarts, including Ma's own father, the KMT's internal polls indicate that the Taipei Mayor enjoys a decisive edge in the lead-up to the July 16 election. KMT officials expect a Chairman Ma to set a more conciliatory tone in relations with the ruling party, and suggest that he may offer action on the Special Defense Procurement Budget as an early goodwill gesture. KMT officials warn, however, that if Ma wins, he will face an uphill battle to consolidate control over the party, especially if Lien loyalists try to use their control over party assets to derail Ma's reform agenda. End Summary.

Lien: Does He Mean It This Time?

2. (C) The KMT Chairmanship race formally got underway June 1 with a special party Central Standing Committee (CSC) meeting held to hear candidates Ma Ying-jeou and Wang Jin-pyng explain their policy visions. The June 1 meeting came amidst continued media speculation over Lien's intentions regarding his personal political future. Lien has avoided explicitly stating his plans for contesting the post, encouraging party elders and Lien loyalists to continue with their campaign to press Ma and Wang to withdraw from the race and allow Lien to be re-elected uncontested. Party elders, including Ma's own father, have publicly warned that if either Ma or Wang were elected, the party would collapse into rival factions. In response to these conflicting messages, Wang has repeatedly announced his intention to withdraw from the race if Lien were to seek a third term. Wang told AIT that while he does not want Lien to stay on, he does "not dare" say anything negative about Lien for fear that Lien and his supporters will attempt to smear Wang in the same way they have attacked Ma over his steadfast refusal to offer Lien an uncontested third term.

Apparently So

3. (C) Speculation notwithstanding, KMT Organizational Affairs Director Liao Feng-te, a Lien loyalist, told AIT that Lien has already made up his mind to allow for an open election on July 16 and will make clear his intentions on June 8. Liao asserted that Lien will use his position as Chairman of the KMT's National Policy Foundation to maintain control over cross-Straits policy, but will allow his successor a free hand over all other elements of KMT operations. Liao asserted that this plan benefits both Lien and his replacement. On the one hand, Liao said that Lien will be able to "continue to cause trouble for Chen Shui-bian" by unveiling potentially popular PRC economic concessions he knows Chen will be forced to reject due to opposition from within his own camp. At the same time, Liao said that Lien could reduce the burden of the KMT's fundamentally unpopular policy line on sovereignty and cross-Straits relations on the party's 2008 presidential candidate by making Lien the main target of Pan-Green smear efforts. Ma loyalist and veteran KMT legislator Wu Ten-yi offered a similar scenario, but disputed claims by Lien supporters that Lien will play anything more than a symbolic role in cross-Straits relations. However, long-time Lien confidante Ding Mou-shih told the AIT Director that Lien expects to retain a "supervisory" role after stepping down.

Ma By a Mile?

4. (C) With most KMT officials confident that Lien is on his way out, attention is turning to the Wang/Ma contest. Liao, who will oversee the KMT election, said he had no doubt that

Ma will win the Chairmanship despite efforts by political leaders across the spectrum to sabotage the popular Mayor's chances. Liao said that Wang is the favorite of the political elite because he, in one way or another, owes something to everyone, including Lien, President Chen Shui-bian, People First Party Chairman James Soong, and former President Lee Teng-hui. In contrast, Ma would enjoy a popular mandate that would insulate him from manipulation by other political actors. According to KMT internal polls, Liao said that Ma will not only win the KMT election, but will win in a landslide. Liao said that Wang's hope of wooing enough Lien's supporters to challenge Ma's lead is wishful thinking, since the combined support rates for Wang and Lien are far below Ma's poll numbers.

15. (C) KMT Taipei City Councilor, and Ma supporter, Chen Yu-mei told AIT that poll numbers may not necessarily translate into votes on July 16 since the election will be determined by those who actually cast ballots rather than by those who talk to pollsters. Chen noted that Wang has been spending large amount of cash to mobilize local support networks around the island, a tactic Ma has steadfastly refused to employ. While Chen did not rule out the possibility that Wang could buy enough votes to win, she said her own supporters have reacted negatively to Wang's organizational offensive. In addition to working the KMT's grassroots base, Wang has also attempted to enlist members of the KMT Legislative Yuan (LY) Caucus to mobilize votes. While most LY members have publicly declared for Wang, a number of KMT legislators have told AIT privately that they prefer Ma and will not ask their followers to cast ballots for Wang.

#### Winning is the Easy Part

16. (C) Even strong Ma supporters warn that Ma would have a much harder time of consolidating a victory than Wang. Ma loyalist Wu told AIT that the Taipei Mayor will inherit a disaster from Lien in terms of personnel, finances, and public image. Wu said it is very much possible that Ma will also assume responsibility for the KMT's massive liabilities without access to any of its equally massive assets, asserting that rumors over moves by Lien loyalists to shift KMT assets into outside accounts may have some validity. Taipei City Council's Chen said she fully expects Lien aides to use their control over party assets to demand concessions from Ma over party positions and policies. Chen said that the squeaky clean Ma would be loathe to agree to any quid pro quos, setting the stage for a possible early showdown between Ma and KMT power brokers. Lien loyalist Liao said that Ma's personality may pose the greatest challenge to post-election unity, noting that Ma may find the KMT a much more difficult place to manage than the Taipei City government or the Ministry of Justice. "As party Chairman, you need to have strong interpersonal skills and a willingness to work with different factions and interests," Liao remarked, "these do not come natural to Ma."

17. (C) KMT officials also warn that Ma will have considerably less influence over the LY Caucus than Lien currently enjoys, especially if he is unable to reconcile with Wang. Wang told AIT that no matter who wins on July 16, there is no chance that he and Ma could work out a cooperative relationship given their diametrically opposed personalities and political styles. The depth of this animosity was on display earlier in the year, when Wang opened his formal bid for the Chairmanship race. After taking a bite out of a congratulatory cake sent by Ma, Wang proclaimed before TV cameras that "it's sweet, just like our relationship." Not ten minutes later, Wang told AIT in private that "ignore those media reports that say we are on friendly terms, I never talk to that man, I can't stand him."

18. (C) Ma-Wang frictions notwithstanding, KMT officials say that there is some validity to President Chen's recent claim that government-opposition party relations will improve after Lien steps down. Lien loyalist Liao said that the current friction between the Democratic Progressive Party (DPP) and KMT is mostly personal. "Lien despises Chen as a country bumpkin who has twice deprived Lien of a presidency that he believes is rightfully his," Liao stated, adding that "Lien's primary motivation on every issue is to deprive Chen of any policy successes." KMT Legislator Wu said that while the KMT would continue to confront the DPP government on a number of domestic and cross-Strait issues, Lien's departure will remove a major hurdle for LY action on the Special Defense Procurement Budget. Wu said that Ma would likely seek to use the Special Budget as a gesture to show that he is sincere in his desire to shape the KMT into a responsible opposition party.

#### Has Ma's Chance Finally Arrived?

19. (C) After months of speculation and uncertainty, Ma's

decision to press ahead with his candidacy for the KMT Chairmanship appears to be finally paying off. Barring a surprise announcement on June 8 by Lien, the KMT will proceed with the first open election for party leader in its history.

While Wang and Lien loyalists are already employing media smear tactics and are likely to seek to manipulate voting in Wang's favor, Ma's lead in the polls appears to give him a decisive advantage. Regardless of how dirty his opponents get during the campaign, Ma will need to tread cautiously in order to avoid offending core KMT interests groups. An election that produced a KMT Chairman unable to control the party's finances or legislative Caucus would be a personal disaster for Ma and a serious threat to the KMT's prospects in 2008.

PAAL